

Message Text

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ACTION EB-08

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UNCLAS KINGSTON 5252

E.O. 11652: N/A
TAGS: ECON, EINV, JM
SUBJECT: U.S. FIRM WITHDRAWS FROM MONTEGO FREEPORT PROJECT

REF: KINGSTON 4224

1. THE NEW YORK-BASED PRUDENTIAL GROUP INCORPORATED HAS ANNOUNCED ITS DECISION TO WITHDRAW FROM THE PROPOSED JOINT VENTURE WITH THE GOVERNMENT OF JAMAICA IN THE OWNERSHIP OF THE MONTEGO FREEPORT MULTI-MILLION DOLLAR RESORT AND COMMERCIAL COMPLEX. ACCORDING TO LOCAL NEWSPAPER ACCOUNTS, PRUDENTIAL'S VICE PRESIDENT, JEAN PAUL PERRAS, HAS ASCRIBED THE WITHDRAWAL TO "OPEN HOSTILITY AND ACTIVE OPPOSITION TO FURTHER DEVELOPMENT ON THE PART OF THE PRESENT MANAGEMENT OF MONTEGO FREEPORT." PERRAS SAID THAT PRUDENTIAL WOULD BE SHIFTING ITS AREA OF INTEREST TO KINGSTON AND THAT DISCUSSIONS TO THAT END HAVE BEEN ALREADY HELD WITH OFFICIALS OF THE PORT AUTHORITY AND THE KINGSTOM FREE ZONE. HE ALSO OUTLINED TRANSACTIONS WITH MONTEGO FREEPORT INCLUDING A U.S.\$360,000 LOAN AND INJECTION OF ADDITIONAL CAPITAL IN TOURISM FACILITIES, AND STATED THAT PRUDENTIAL HAD INITIATED LEGAL PROCEEDINGS IN CONNECTION WITH REPAYMENT

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OF THE LOAN. MR. PERRAS NOTED THAT SHOULD THE PRESENT ATMOSPHERE CHANGE THE PRUDENTIAL BE INVITED BACK TO FREEPORT, THE COMPANY WAS PREPARED TO RECONSIDER ITS DECISION AND TO ENTER INTO A JOINT VENTURE WITH THE GOJ.

2. MONTEGO FREEPORT'S CHAIRMAN, TONY HART, DENIED THE CHARGES OF HOSTILITY AND OPPOSITION. HE SAID THAT THE

MAJOR DISAGREEMENT WAS WITH PRUDENTIAL'S DESIRE TO REMOVE THE TWIN-TOWERED SEAWIND RESORT COMPLEX FROM THE ASSETS OF MONTEGO FREEPORT AND MAKE IT A PART OF THE AMERICAN FIRM'S SEPARATE OPERATIONS. MR. HART REPORTEDLY BELIEVES THAT PRUDENTIAL'S DECISION TO WITHDRAW IS NOTHING TO WORRY ABOUT AND PERSONALLY FAVORS FULL GOVERNMENT OWNERSHIP FOR THE VENTURE.

3. THE ORIGINAL PLAN AS REPORTED IN REFTEL WAS FOR PRUDENTIAL TO OWN 49 PERCENT OF THE EQUITY AND GOJ 51 PERCENT WITH PRUDENTIAL PROVIDING ALL FOREIGN EXCHANGE REQUIRED FOR FURTHER DEVELOPMENT. PRUDENTIAL'S ANNOUNCEMENT NOW PLACES A QUESTION MARK ON GOJ INVOLVEMENT IN THE PROJECT.

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